

Before the Illinois Commerce Commission

Direct Testimony of

Gordon J. Kraut, Jr.

On Behalf of

El Paso Telephone Company

(ICC Docket Nos. 00-0233 & 00-0335 Consolidated)

April 20, 2001

1 **Q. PLEASE IDENTIFY YOURSELF FOR THE RECORD.**

2 A. My name is Gordon Kraut. I am a consulting manager with GVNW Consulting,
3 Inc. GVNW Consulting, Inc.'s principal business is telecommunications consulting
4 for small independent telephone companies. My business address is 3220 Pleasant
5 Run, Springfield, Illinois 62707.

6

7 **Q. PLEASE PROVIDE YOUR EMPLOYMENT BACKGROUND.**

8 A. I joined GVNW, Inc. on October 20, 1997. In my current position I consult with
9 independent telephone companies and provide financial analysis and management
10 advice in areas of concern to these companies. Specific activities include
11 regulatory analysis, consultation on regulatory policy, financial analysis, market
12 analysis, rate design and tariff development, long-range strategic planning and
13 general management consulting services. Previously, I was employed by TDS
14 TELECOM, as Manager of Revenue and Earnings in the Government and
15 Regulatory Affairs Group, where my responsibilities were to manage the revenue
16 and earnings processes, manage the development and implementation of earnings
17 strategies, and oversee rate cases, regulatory audits, and earnings reviews for the
18 TDS TELECOM companies. I also assisted in the regulatory review of telephone
19 company operating and capital budgets, and ensuring that capital recovery
20 objectives were achieved for TDS TELECOM operating companies.

21

22 In 1988, I began my telecommunications career with TDS, Inc., as an Internal
23 Auditor. In this position, I conducted both operational and financial reviews of
24 TDS, Inc.'s operating companies. In 1993, I was promoted to Senior Internal
25 Auditor where I took a more active role in managing internal audits for the

1 company. In 1994, I was promoted to Associate Manager of Accounting in TDS
2 TELECOM. My responsibilities included providing management with monthly
3 reports on company financial results, troubleshooting and providing support to the
4 region accounting staffs and helping determine accounting policy and procedures.
5 Early in 1996, I was promoted to the position of Manager of Revenue and
6 Earnings in the Government and Regulatory Affairs Group.

7

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

9 A. I graduated from Edgewood College in May 1988 with a Bachelor of Science
10 Degree in Business with an emphasis in Accounting. I was awarded a Masters in
11 Business Administration from Edgewood College in 1991.

12

13 **Q. HAVE YOU TESTIFIED BEFORE?**

14 A. Yes. I have provided testimony in the Commonwealth of Pennsylvania in rate
15 cases for Sugar Valley Telephone Company and Mahanoy & Mahantango
16 Telephone Company. I have also put in testimony on behalf of Citizens of
17 Kecksburg also in Pennsylvania in a rural exemption case.

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19 **Q. ON WHAT COMPANY'S BEHALF IS THIS TESTIMONY SUBMITTED?**

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21 A. El Paso Telephone Company.

22

23 **Q. HAVE THE ILLINOIS UNIVERSAL SERVICE FUNDING**
24 **CALCULATIONS FOR EL PASO TELEPHONE COMPANY USING THE**
25 **FORMAT AGREED TO BY THE STAFF AND THE IITA BEEN**
26 **PREPARED BY YOU OR SOMEONE UNDER YOUR DIRECT**
27 **SUPERVISION?**

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1 A. Yes it has. It is attached as El Paso Telephone Company Exhibit 1.0, Schedule
2 1.01 and consists of three pages.

3

4 **Q. DID YOU COMPLETE EL PASO TELEPHONE COMPANY'S EXHIBIT**
5 **1.0, SCHEDULE 1.01 IN ACCORDANCE WITH THE INSTRUCTIONS**
6 **AND BASED ON EL PASO TELEPHONE COMPANY'S ICC FORM 23A**
7 **FILED BY THE COMPANY WITH THE COMMISSION FOR THE YEAR**
8 **ENDED DECEMBER 31, 2000?**

9

10 A. Yes, that is correct.

11

12 **Q. BASED ON THE RESPONSES AND CONTENT OF EL PASO**
13 **TELEPHONE COMPANY EXHIBIT 1.0, SCHEDULE 1.01, IS EL PASO**
14 **TELEPHONE COMPANY PROVIDING STAFF WITH CERTAIN**
15 **ADDITIONAL DOCUMENTS?**

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17 A. Yes. I am providing the Staff with a copy of El Paso Telephone Company's
18 December 31, 2000, Trial Balance.

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20 **Q. HAVE YOU PROVIDED THE REQUISITE INFORMATION FROM EL**
21 **PASO TELEPHONE COMPANY EXHIBIT 1.0, SCHEDULE 1.01 TO MR.**
22 **SCHOONMAKER FOR HIS USE IN COMPILING THE COMPOSITE**
23 **RESULTS FOR ALL COMPANIES SEEKING FUNDING IN**
24 **CONNECTION WITH HIS TESTIMONY?**

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26 A. Yes, I have.

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28 **Q. IS EL PASO TELEPHONE COMPANY EXHIBIT 1.0, SCHEDULE 1.01**
29 **TRUE AND CORRECT TO THE BEST OF YOUR KNOWLEDGE,**
30 **INFORMATION AND BELIEF?**

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A. Yes, it is.

Q. HAVE YOU MADE ANY OF THE STANDARD ADJUSTMENTS THAT HAVE BEEN AGREED UPON BETWEEN THE IITA AND STAFF?

A. Yes, I have.

Q. PLEASE DESCRIBE EACH OF THE ADJUSTMENTS THAT YOU HAVE MADE TO EL PASO TELEPHONE COMPANY.

A. I have made one (1) standard adjustment on El Paso Telephone Company's Exhibit 1.0. This adjustment is summarized in Schedule 1.02.

The adjustment that was made was for an increase in Federal High Cost Loop (HCL) Revenues that El Paso is currently receiving in 2001. This is listed as standard adjustment #5 in Bob Schoonmaker's testimony. El Paso received \$94,257 in Federal HCL funding in 2000 per information that appears on quarterly filings that the Universal Service Administration Corporation (USAC) made with Federal Communication Commission. Per these same filings for the first two quarters of 2001 annualized, El Paso is receiving \$34,260. This results in an increase in Federal funding of \$59,997 and is a known and measurable increase in El Paso's revenue streams.

HAVE YOU MADE ANY OF NON STANDARD ADJUSTMENTS THAT WERE NOT AGREED UPON BETWEEN THE IITA AND STAFF?

A. Yes, I have.

1 **Q. PLEASE DESCRIBE EACH OF THE NON-STANDARD ADJUSTMENTS**
2 **THAT YOU HAVE MADE TO EL PASO TELEPHONE COMPANY.**

3

4 A. I have made two (2) non-standard adjustments on El Paso Telephone Company's
5 Exhibit 1.0. These adjustments are summarized in Schedule 1.02.

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7 Both of the non-standard adjustments are to remove non-regulated items appearing
8 in El Paso Telephone Company's ICC Form 23A filed with the Commission. The
9 first adjustment removes \$227,425 of non-regulated revenues from El Paso's
10 Exhibit 1.0, Line 14, Total Operating Revenues. The second adjustment removes
11 \$23,077 of non-regulated expenses from El Paso's Exhibit 1.0, Line 7 and Line 17,
12 Total Operating Expenses.

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14 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON BEHALF**
15 **OF EL PASO TELEPHONE COMPANY?**

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17 A. Yes, it does.